

From: Ryan, James (FTA)
Sent: Friday, August 28, 2009 5:09 PM
To: 'Ben Porter'
Subject: RE: additional questions regarding Honolulu HCT financial plan

Ben:

We're good for now -- looking forward to seeing your report next week.

Here's a question that came up during our status meeting: given the City's intention to request entry to final design in a few months (FTA has reviewed an administrative draft of the FEIS and they've been doing PE locally for much of the past year), can you flag anything that's OK for PE entry but that may cause problems against the higher standards for entry into final design? I haven't compared the two sets of requirement in a long time and don't recall what higher standards we have beyond the 50-percent commitment of funds needed for a medium rating. So I'm not sure that you can do this casually as part of the PE-entry review. Please let me know.

Jim

-----Original Message-----

From: Ben Porter [mailto:bporter@porter-inc.com]
Sent: Friday, August 28, 2009 3:22 PM
To: Ryan, James (FTA)
Subject: Re: additional questions regarding Honolulu HCT financial plan

Yes, that is my guess, but there is one potential sticking point. I think the main point of interpretation will be whether to assign a Medium-Low or Low rating to the capital financial capacity/planning assumptions subfactor. To get a Medium-Low rating, they would need to access another \$535 million (10% of Project costs). I am assessing this risk but haven't come to a conclusion. It is a potential problem. Let me know if you need more information at this point and I will tell you what I am considering.

Ben

On Aug 28, 2009, at 11:54 AM, <James.Ryan@dot.gov> <James.Ryan@dot.gov> wrote:

> Thanks, Ben. Are you still guessing that "medium, with concerns" is
> the likely rating outcome?

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> From: Ben Porter [mailto:bporter@porter-inc.com]

> Sent: Fri 8/28/2009 2:46 PM

> To: Ryan, James (FTA)

> Subject: Re: additional questions regarding Honolulu HCT financial
> plan

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> I think you've characterized it correctly, except that I still plan
> to submit a draft assessment on 9/1 (Tues.). If I get their
> responses by then, I'll incorporate them. If they come later, I'll
> modify the draft. Most probably, their responses will affect some of
> the details presented in the assessment, but are not likely to affect
> the rating.

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> best regards,

> Ben

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> On Aug 28, 2009, at 11:37 AM, <James.Ryan@dot.gov> wrote:

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> Ben:

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> We have another status update this afternoon and I'm sure I'll be
> asked about progress and completion of the financial review. I
> haven't seen a reply to the questions you posed to Toru; so you
> probably haven't either. I'm planning to say that the ball is in the

> City's court and that your completion of the review depends on when
> they get back to you and what they have to say. Do you have any
> revisions to that characterization?

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> Thanks.
> Jim

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> From: Ben Porter [mailto:bporter@porter-inc.com]
> Sent: Wed 8/26/2009 4:15 PM
> To: Toru Hamayasu
> Cc: Mark Scheibe; Ryan, James (FTA); Donna McCoy, CPA
> Subject: additional questions regarding Honolulu HCT financial plan

> Dear Mr. Hamayasu:

> I appreciate the County's quick response to my questions that were
> e-mailed on 8/18.

> I have a few additional questions, listed below, to which I would
> appreciate your prompt attention.

> 1. Regarding the HCT GET surcharge revenue forecast, the financial
> plan text states that the current forecast is consistent with that of
> the Council on Revenues (COR). However, when I reviewed both the
> March forecast and August forecast of the COR, their year-to-year
> growth rates in state-level GET revenues are consistently lower than I
> calculate from the HCT GET surcharge forecast included in your August
> 2009 financial plan submittal. The table below shows a comparison of
> the most recent HCT and COR forecasts for fiscal years 2010-2015.
> From an examination of State and Honolulu County historical revenues,
> I find that the State and Honolulu GET revenues are highly correlated,
> so I would expect that the HCT GET revenue forecast would more closely
> match the COR forecast, if in fact they are consistent. Would you
> please explain how the HCT GET surcharge forecast is "consistent" with
> the COR forecast, and also why the annual growth rates are different?

> 2. The plan states that Phase 1 of the Project will be 100% locally
> funded. Please provide annual capital costs, net of financing, for
> Phase 1. Do you intend that Phase 1 not be part of the FFGA? If
> Phase 1 is part of the FFGA, then on what basis would Section 5309 New
> Starts funds be applied to it?

> 3. Are the bonds to be issued for the Project general obligation
> bonds or "self-supporting" bonds? If the latter, can you provide an
> example of similar bonds issued by Honolulu that did not require a
> debt service reserve or a minimum debt service coverage ratio for the
> issuance of additional bonds? Do you anticipate the HCT GET surcharge
> revenues to be pledged as a credit for the bonds?

> 4. The plan assumes \$500 million in short-term financing. What kind
> of approval is required? How is this debt to be secured? If it is to
> be secured by the HCT GET surcharge, is it to be subordinate to the
> other debt to be issued for the Project?

> 5. The plan assumes that 33% of bus and HandiVan capital costs will
> be funded from Section 5309 Bus grants. What is the basis for this
> assumption?

> 6. Please provide the annual revenue vehicle hours to be operated on
> the fixed guideway system.

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> Thank you for your consideration. Please feel free to call me if you
> have any questions.

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> best regards,
> Ben Porter

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